



STATE OF CONNECTICUT  
DEPARTMENT OF BANKING  
260 CONSTITUTION PLAZA – HARTFORD, CT 06103-1800



**TESTIMONY SUBMITTED TO THE BANKS COMMITTEE**  
**Commissioner Howard F. Pitkin**  
**March 11, 2014**

Good afternoon Chairman Leone, Chairman Tong, and members of the committee. My name is Howard Pitkin and I am the Commissioner of the Department of Banking. I am here to offer testimony regarding three bills on today's agenda:

**H.B. No. 5470** AN ACT REQUIRING A SALES AND USE TAX EXEMPTION FOR SALES TO CONNECTICUT CREDIT UNIONS;

**H.B. No. 5513** AN ACT CONCERNING THE MODERNIZATION OF CONNECTICUT CORPORATION LAW.

**H.B. No. 5514** AN ACT CONCERNING AN OPTIONAL METHOD OF FORECLOSURE.

First, H.B. 5514 An Act Concerning an Optional Method of Foreclosure is a thoughtful bill that represents an agreement between the banking industry and the Realtors. That said, the negotiations that led to this agreement were not limited to these two interests alone. Following the last legislative session, I convened a working group to begin the conversation about how Connecticut may continue its good work to level the power imbalance between lenders and borrowers in the foreclosure process while simultaneously stepping up our efforts to bring these cases to resolution as fast as prudently possible. Due to the fact that I and the Department of Banking served as a neutral facilitator for these negotiations, I will not take a specific position on the substance of this bill. I only offer the following contextual comments to provide the committee with a clear picture of how this bill came into existence.

H.B. 5514 began as a working group. In addition to the representatives from the banking and Realtor communities, this working group involved stakeholders and advocates from both sides of the foreclosure bar, from title insurance companies and, of course, from both the Office of the Governor and the Office of Policy and Management. In total, approximately 15 individuals attended each of the four monthly meetings I convened between September and December 2013. I drew the working group to a close after the December meeting both because an agreement appeared imminent and because the stakeholders had a full and fair opportunity to contribute to the negotiations. This process proved fruitful –the Realtors and the banks resolved their disagreements and did eventually come to an agreement, which is reflected in the bill before you today. H.B. 5514 represents a lot of hard work among the stakeholders and, perhaps more importantly, provided a venue for the dissenting voice to be heard.

Second, H.B. 5513, An Act Concerning the Modernization of Connecticut Corporation Law, represents a critical step towards transforming Connecticut into one of the best states in which to organize or locate a business entity. In order to get there, Connecticut must become a desirable venue for businesses to have their financial disputes adjudicated here—whether under local regulation or in the courts. The commission established by this bill would develop and recommend policies to attract, encourage and retain business entities—including banks and other financial services entities—to organize under Connecticut law. As the chief banking regulator, I can tell you that as the financial services entities in this state get more and more sophisticated each year, so do their regulatory and adjudicative needs. The Department of Banking stands ready to explore ways in which it may play a role in helping to attract more financial businesses to choose to come under local regulation and locate in Connecticut. I applaud the committee for this forward thinking proposal and look forward to contributing more in the future.

Third, I will spend the remainder of my testimony lending unequivocal support to H.B. 5470, An Act Requiring a Sales and Use Tax Exemption for Connecticut Credit Unions. The last time this bill came before the committee was in 2008 when it passed out of the Banks and Finance committees, but failed to get fun on the floor. At its core, this bill is essentially a way to stop the steady loss of state chartered credit unions under the supervision of the Department of Banking. In 2006, Connecticut had 41 credit unions. Today it has 29. This is a loss of 12 Connecticut credit unions or—to put it plainly—Connecticut has lost almost one third of its state chartered credit unions in less than eight years. Since the year 2000, of the 14 credit union mergers involving 1 federal charter and 1 state charter, the resulting credit union chose the federal charter 11 out of 14 times. As your banking regulator, I can tell you that credit unions regularly cite the Connecticut state sales tax as a chief reason for leaving the state charter behind to elect a federal charter.

The sales tax is a crucial tipping point on two separate angles: first, with the exemption, the largest federal credit unions in our state will have the option of a state regulator who within prudent standards can make decisions based upon first hand knowledge of local need; second, if this bill passes into law, not only will some federal credit unions certainly come back to a state charter, we will also see credit union mergers start choosing the state charter. It is important to note here that the Department of Banking expects to see increased credit union merger activity going forward. Some smaller credit unions have told us that they are planning either to merge or cease operations. Particularly for these small, not-for-profit businesses, a sales tax exemption may mean the difference between a profit or loss.

This bill makes financial sense for Connecticut. I am happy to answer any questions you may have.